

**JOINT REPORT OF THE CHAIRMAN OF THE FINANCE & PROPERTY
COMMITTEE AND THE LEADER OF THE COUNCIL**

ANNUAL BUDGET 2016/17

CAPITAL PROGRAMME 2016/17 to 2019/20

MEDIUM TERM FINANCIAL STRATEGY 2016/17 to 2019/20

SOCIAL CARE PRECEPT 2016/17

COUNCIL TAX 2016/17

Purpose of the Report

1. This report is seeking approval for the following:
 - Annual budget for 2016/17
 - Medium Term Financial Strategy for 2016/17 to 2019/20
 - Implementation of Category B and C savings proposals
 - Amount of Social Care Precept to be levied for 2016/17 to part-fund increasing adult social care costs
 - Amount of Council Tax to be levied for County Council purposes for 2016/17 and the arrangements for collecting this from district and borough councils
 - Capital Programme for 2016/17 to 2019/20
 - Borrowing limits that the Council is required to make by Statute
 - Treasury Management Strategy and Policy for 2016/17

Information and advice

2. In February 2015, the financial difficulties faced by the Council were outlined in the Medium Term Financial Strategy (MTFS). The position has deteriorated since that date due to a variety of factors, including legal rulings, changes to legislation and the Local Government Settlement.
3. In an historic step, Councillors decided to respond to the financial environment by forming a cross-party budget group to work together to construct a 2016/17 budget proposal. This was the first time in the Council's history that Councillors outside of the largest political group had been involved in the entire budget setting process.
4. This process proved to be extremely productive and produced nearly all the 28 budget proposals in this report as well as those approved for implementation by Policy Committee on 9 December 2015. While this joint

working arrangement did not quite reach the end of the process, it is important to acknowledge that the joint working was extremely effective.

5. The financial challenge was reported to Policy Committee on 9 December 2015. At that time, a budget shortfall of £62m was anticipated over the three years to 2018/19. The gap in the budget has been caused by significant reductions in government funding at the same time as increasing demand in adult and children's social care.
6. The Council's MTFS has since been reviewed to take account of changes to the tax base, levels of grant funding and the proposed use of reserves. In addition, all areas of service expenditure have been reviewed to identify cost pressures and any savings which can be made, through efficiencies and by reducing the level of service provided.
7. This report also seeks approval for the statutory borrowing limits that the Council is required to set in addition to its Treasury Management Strategy and Policy for 2016/17.

Budget Consultation

8. Each year, the Council consults with its residents and stakeholder groups to inform them of the annual proposed budget changes and to elicit information that would help guide and inform decisions on the budget for the forthcoming year/s.
9. The Council's budget proposals were published in full on 1 December 2015 and approved for public consultation by Policy Committee on 9 December 2015. The consultation closed on 5 February 2016.
10. A total of 28 proposals (Category B and C) were subject to the consultation process, with 30 proposals (Category A) having been approved for implementation at the 9 December 2015 Policy Committee meeting. A definition of the consultation categories is set out at paragraph 18.
11. In total there were more than 1,200 responses including an online survey, 51 letters and emails, and a number of departmental meetings with service users and members of the public.
12. The consultation took place through a variety of methods including: an online survey; social media; face to face meetings with service users, staff and local businesses and information provided in Council libraries and community resource centres.
13. A detailed methodology is set out at Appendix I. A consultation dashboard that presents the response in a graphical format is available as a background paper.

Listening and responding

14. Consultation was carried out on 28 proposals but in all of the cases the percentage who disagreed was less than 50%. Nineteen of the proposals were supported by more than half of the people who responded.
15. The proposal which received the highest percentage of disagreement was proposal B15 to impose limits and/or charges for the disposal of non-household waste at the Recycling Centre network. This proposal was intended to raise £100,000 but 49% of respondents disagreed with the idea, with 39% agreeing and 12% neither agreeing nor disagreeing.
16. As a result of this feedback it is proposed that this proposal is not progressed at this stage.
17. The consultation dashboard has been sent to all political group leaders. All of the consultation responses – emails, letters and petitions – have also been recorded and are available for Councillors to view on request.

Savings Proposals

18. As part of the consultation process, the savings proposals were classified into three categories:
 - **Category A:** savings proposals that could be moved forward into implementation subject to normal internal consultation processes – these have progressed accordingly and are available as a background paper. They were approved at the 9 December 2015 Policy Committee.
 - **Category B:** could be approved in principle, subject to discretionary consultation with stakeholders and partners. Appropriate consultation has been completed and, subject to the amendments to schemes referred to above, and any further consultation requirements, approval is now sought to proceed. Appendix A sets out the Category B proposals.
 - **Category C:** required formal statutory consultation before being implemented. Appropriate consultation has been undertaken and, subject to the amendments to schemes referred to above and any further consultation requirements, approval is now sought to proceed. Appendix B sets out the Category C proposals.
19. It is now proposed that County Council approves the Category B and C proposals as set out in the appendices.

Annual Budget 2016/17

20. The report to Policy Committee on 9 December 2015 summarised the financial landscape in which the Council is operating and the main pressures. The report also provided detail of savings proposals totalling more than £20m that would help mitigate the shortfall in funding.

Revised Pressures and Inflation

21. When the 2015/16 budget was approved, specific pressures totalling £9.6m were identified mainly with regard to Adult Social Care and Health. In addition, a further £10.4m was identified to allow for running cost inflation.

22. Throughout the budget setting process all service areas have undertaken a full review of future cost pressures. Table 1 sets out the net movement in cost pressures, identified by departments. The current total requirement column reflects forecast pressures over the next four financial years.

Table 1 – Pressures Analysis

Committee	Original Pressures 2016/17 - 2018/19 £m	Original non-pay Inflation 2016/17 - 2018/19 £m	Net Movement £m	Current Total Requirement 2016/17 - 2019/20 £m
Children & Young People	-	-	6.0	6.0
Adult Social Care & Health	9.5	3.0	46.9	59.4
Transport & Highways	0.1	4.2	-0.7	3.6
Environment & Sustainability	-	2.7	1.7	4.4
Finance & Property	-	0.5	-	0.5
Cross Committee	-	-	0.1	0.1
	9.6	10.4	54.0	74.0

23. The pressures and inflation total of £74.0m over the four years to 2019/20 relates mainly to the Council's responsibility to meet costs associated with the National Living Wage (£33.0m). Most of this relates to external contractors as the Council already pays the Living Wage Foundation rate to its employees. The other main area of cost pressure relates to the increased costs of providing Adult Social Care and Health services (£28.9m) as a result of variations to the demographic as well as changes to legislation and case law, with respect to Deprivation of Liberty Safeguards (DoLS) and Sleep-In Allowances. In addition, pressures have been identified in the Children, Families and Cultural Services Department with regard to Special Guardianship Placements and Looked After Children.

24. This report brings together the Council's confirmed funding position. The total revenue budget for 2016/17 is £478.9m. A summary is shown in Table 2 with a more detailed breakdown shown in Appendix C.

Table 2 - Proposed County Council Budget 2016/17

Committee Analysis	Net Budget 2015/16	Pressures	Savings	Pay, NI & Pensions increase	Budget Changes	Net Budget 2016/17
	£'m	£'m	£'m	£'m	£'m	£'m
Children & Young People	139.053	3.427	(8.330)	1.467	(1.251)	134.366
Adult Social Care & Health	206.117	26.327	(13.348)	1.284	(0.587)	219.793
Transport & Highways	58.127	0.523	(2.594)	0.118	1.367	57.541
Environment & Sustainability	29.970	1.019	(0.389)	0.041	0.474	31.115
Community Safety	2.904	-	(0.076)	0.098	0.002	2.928
Culture	12.785	-	(0.894)	0.084	0.782	12.757
Economic Development	1.050	-	(0.085)	0.018	0.004	0.987
Policy	24.395	-	(1.360)	0.458	(0.011)	23.482
Finance & Property	32.280	0.115	(2.240)	0.445	0.320	30.920
Personnel	2.518	-	(0.244)	0.104	0.234	2.612
Public Health	-	-	-	-	-	-
Net Committee Requirements	509.199	31.411	(29.560)	4.117	1.334	516.501
Corporate Budgets	(5.719)	-	-	-	(13.011)	(18.730)
Use of Reserves	(16.253)	-	-	-	(2.622)	(18.875)
Budget Requirement	487.227	31.411	(29.560)	4.117	(14.299)	478.896

25. Table 2 shows the changes between the original net budget for 2015/16 and the proposed budget for 2016/17, including budget pressures, savings, pay inflation and other budget changes which include permanent contingency transfers approved in 2015/16 and transfers between committees.

Corporate Budgets & Reserves

26. There are a number of centrally-held budgets that do not report into a specific committee. They are shown below with the budget analysis shown in Table 3:

- **Flood Defence Levy:** The Environment Agency issues an annual local levy based on the Band D equivalent houses within each Flood and Coastal Committee area. This helps to fund local flood defence priority works.

- **Pension Enhancements:** The cost of additional years' service awards, approved in previous years. This practice is no longer permitted following changes to the pension rules.
- **Contingency:** This is provided to cover redundancy costs, delays in efficiency savings, changes in legislation and other eventualities. Finance and Property Committee or the Section 151 Officer are required to approve the release of contingency funds.
- **Capital Charges (depreciation):** This represents the notional costs of using the Council's fixed assets. As such, budget provision is made within the service accounts, and adjustments here relate to corresponding movements in the service accounts. However, statute requires that this amount is not a cost to the Council Tax payer, hence this is reversed out within corporate budgets and replaced with the actual cost that impacts on the Council's revenue budget, being the costs of borrowing, i.e. interest, and the Minimum Revenue Provision (MRP).
- **Interest and borrowing:** The level of borrowing undertaken by the Council is heavily influenced by the capital programme. Slippage can result in reduced borrowing in the year although this will be incurred at a later date. Interest payment budgets are based on an estimated interest rate which can fluctuate depending on the market rates that exist at the time. The level of borrowing will also increase as the Council's level of reserves declines because the ability to borrow internally reduces.
- **Minimum Revenue Provision:** Local Authorities are required by law to make provision through their revenue account for the repayment of long term external borrowing and credit arrangements. This provision is made in the form of the Minimum Revenue Provision. A full review of methodologies used to calculate the MRP has been undertaken. The results of this were reported to the Finance and Property Committee meeting on 22 February 2016.

A by-product of the MRP Review is a permanent £12m budget reduction in 2016/17. It has also been identified that applying the current policy has led to MRP charges that exceed what prudence required during the period 1 April 2007 to 31 March 2016 to the value of £42m. There will be a re-alignment of MRP charges over future years to recognise this excess sum.

The revised MRP policy can be seen in Appendix E.

- **Revenue Grants:** Grants that are not ring-fenced, namely New Homes Bonus, Education Services Grant and Transition Grant.
- **Use of Reserves:** This represents the Council's use of balance sheet reserves. This budget report is proposing to utilise £42m of reserves over the medium term with £17.0m being used to deliver a balanced budget in 2016/17. Further detail is provided in Appendix D.

Table 3 - Proposed Budget 2016/17
Corporate Budgets and Reserves

	Net Budget 2015/16 £'m	Budget Changes £'m	Net Budget 2016/17 £'m
Flood Defence Levies	0.271	0.007	0.278
Pension enhancements (Centralised)	2.205	-	2.205
Contingency	5.105	0.715	5.820
Capital Charges (Depreciation)	(40.359)	(0.793)	(41.152)
Interest and Borrowing	18.000	0.622	18.622
Minimum Revenue Provision (MRP)	19.800	(12.300)	7.500
New Homes Bonus Grant	(3.786)	0.242	(3.544)
Education Services Grant	(6.955)	0.475	(6.480)
Transition Grant	-	(1.979)	(1.979)
Subtotal Corporate Budgets	(5.719)	(13.011)	(18.730)
Net Transfer (From)/To Other Earmarked Reserves	(10.215)	(4.919)	(15.134)
Transfer (From)/To General Fund Balances	(6.038)	2.297	(3.741)
Subtotal Use of Reserves	(16.253)	(2.622)	(18.875)

Sources of Funding

Social Care Precept

27. As part of the last spending review, the Chancellor announced that Local Authorities responsible for delivering adult social care will be allowed to raise a Social Care Precept of 2% for each year of the spending review period to partially fund costs associated with adult social care. This will be in addition to the current Council Tax referendum threshold and is to be used entirely for adult social care.

Council Tax Levels 2016/17

28. The district and borough councils calculate a Council Tax base by assessing the number of Band D equivalent properties in their area, and then building in an allowance for possible non-collection. The notifications received forecast a total tax base of 240,537.74 as set out in Table 8, this represents growth of 1.90%. The increase in tax base has been taken into account in the calculation of the budget.

Council Tax Surplus/Deficit

29. Each year an adjustment is made by the district and borough councils to reflect the actual collection rate of Council Tax in the previous year. Sometimes this gives rise to a surplus, payable to the County Council, or a deficit which is offset against future years' tax receipts. Figures confirmed from the district and borough councils equate to a surplus of £4,247,791 for 2016/17, which has been factored into the MTFs as a one-off additional resource.

Requirement to Raise Local Tax

30. The Local Tax requirement is divided by the tax base to arrive at the Band D figure. This figure then forms the basis of the calculation of the liability for all Council Tax bands.

Table 4 – Local Tax Requirement Calculation

<u>2016/17</u>	Amount £'m	% Funding
Initial Budget Requirement	478.896	100.0
Less Formula Grant	(164.196)	34.3
Net Budget Requirement	314.700	
Less Estimated Collection Fund Surplus	(4.248)	0.9
Local Tax Requirement	310.452	64.8

Social Care Precept Recommendation

31. It is recommended that County Council approves the implementation of a 2.00% Social Care Precept for 2016/17 to part fund increasing costs associated with adult social care. The impact of this is shown in Table 5.

**Table 5 – Impact of 2.00% Social Care Precept on Local Tax Levels
(County Council Element) 2016/17**

Band	Value as at 1.4.91	No. of Properties	% no. of properties	Ratio	County Council 2016/17 £
A	Up to £40,000	141,580	39.8	6/9	16.54
B	£40,001- £52,000	73,370	20.6	7/9	19.31
C	£52,001- £68,000	60,860	17.1	8/9	22.06
D	£68,001- £88,000	40,440	11.4	1	24.82
E	£88,001- £120,000	22,340	6.3	11/9	30.33
F	£120,001- £160,000	10,730	3.0	13/9	35.85
G	£160,001 - £320,000	5,960	1.7	15/9	41.36
H	Over £320,000	460	0.1	18/9	49.64

Local Tax Recommendation

32. It is recommended that Members agree an increase of 1.99% to local tax levels to ensure that the Council meets the local tax requirement. The impact of this is shown in Table 6 below.

**Table 6 – Impact of 1.99% Increase on Local Tax Levels
(County Council Element) 2016/17**

Band	Value as at 1.4.91	No. of Properties	% no. of properties	Ratio	County Council 2015/16 £	County Council 2016/17 £	Change £
A	Up to £40,000	141,580	39.8	6/9	827.43	843.89	16.47
B	£40,001- £52,000	73,370	20.6	7/9	965.33	984.54	19.21
C	£52,001- £68,000	60,860	17.1	8/9	1,103.24	1,125.19	21.95
D	£68,001- £88,000	40,440	11.4	1	1,241.14	1,265.84	24.70
E	£88,001- £120,000	22,340	6.3	11/9	1,516.95	1,547.14	30.19
F	£120,001- £160,000	10,730	3.0	13/9	1,792.76	1,828.44	35.68
G	£160,001 - £320,000	5,960	1.7	15/9	2,068.57	2,109.73	41.17
H	Over £320,000	460	0.1	18/9	2,482.28	2,531.68	49.40

33. The total impact of implementing a 2.00% Social Care Precept and a 1.99% increase in local tax levels is shown in Table 7.

**Table 7 - Recommended levels of Council Tax and Social Care Precept
2016/17**

Band	Value as at 1.4.91	No. of Properties	% no. of properties	Ratio	County Council 2015/16 £	County Council 2016/17 £	Change £
A	Up to £40,000	141,580	39.8	6/9	827.43	860.44	33.01
B	£40,001- £52,000	73,370	20.6	7/9	965.33	1,003.85	38.52
C	£52,001- £68,000	60,860	17.1	8/9	1,103.24	1,147.25	44.01
D	£68,001- £88,000	40,440	11.4	1	1,241.14	1,290.66	49.52
E	£88,001- £120,000	22,340	6.3	11/9	1,516.95	1,577.47	60.52
F	£120,001- £160,000	10,730	3.0	13/9	1,792.76	1,864.29	71.53
G	£160,001 - £320,000	5,960	1.7	15/9	2,068.57	2,151.10	82.53
H	Over £320,000	460	0.1	18/9	2,482.28	2,581.32	99.04

34. The actual amounts payable by householders will also depend on:
- The district or borough council's own Council Tax decisions
 - The Police and Crime Commissioner and the Combined Fire Authority Council Tax
 - Any Parish precepts or special levies
 - The eligibility for discounts and rebates

County Precept

35. District and borough councils collect the Council Tax for the County Council. This is then recovered from the districts by setting a County Precept. The total Precept is split according to the Council Tax base for each District as set out in Table 8.

Table 8 – Amount of County Precept by District - 2016/17

District Council	Council Tax base	County Precept £
Ashfield	31,936.30	£41,218,905
Bassetlaw	33,079.77	£42,694,736
Broxtowe	32,806.55	£42,342,102
Gedling	36,104.62	£46,598,789
Mansfield	28,272.00	£36,489,540
Newark & Sherwood	37,378.90	£48,243,451
Rushcliffe	40,959.60	£52,864,917
Total	240,537.74	£310,452,440

36. Discussions have been held with district and borough councils and the dates shown in Table 9 have been agreed for the collection of the precept:

Table 9 – Proposed County Precept Dates - 2016/17

2016	2017
20 April	3 January
26 May	2 February
1 July	9 March
5 August	
12 September	
17 October	
21 November	

37. The dates shown are those by which the County Council's bank account must receive the credit, otherwise interest is charged. Adjustments for net variations in amounts being collected in 2015/16 will be paid or refunded on the same dates.

Post Consultation Medium Term Financial Strategy (MTFS)

38. The Budget report to the February Council in 2015 forecast a budget shortfall of £25.7m for the three years to 2018/19. The model has now been rolled forward a year and a review of the underlying assumptions contained in the Council's MTFS has taken place.
39. The MTFS on which this budget report is based assumes a Council Tax increase of 1.99% in each financial year up to 2018/19 and a Social Care Precept increase of 2.00% in 2016/17 only.
40. Table 10 summarises the cumulative changes made to the MTFS since the report to February Council in 2015.

41. In summary, from 2017/18 onwards, the Council is currently projecting a budget shortfall of a further £50.2m across the duration of the MTFs. The Council will explore further opportunities to bridge the gap between the funding levels and levels of expenditure over the next twelve months.

**Table 10 – Analysis of Changes to the Medium Term Financial Strategy
2016/17 – 2019/20**

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	TOTAL £m
Year-on-year savings requirement (February 2015 report)	11.9	4.8	9.0	-	25.7
New savings proposals	(5.3)	(5.7)	(6.6)	-	(17.6)
Post consultation adjustments	0.1	-	-	-	0.1
Changes to previous savings proposals	4.1	2.7	(2.6)	(0.2)	4.0
Revised pressures and running cost inflation	15.1	0.6	(1.3)	6.6	21.0
Impact of the National Living Wage	9.7	7.6	7.8	8.0	33.1
Change in Council tax base	(3.4)	(1.8)	(2.2)	(4.5)	(11.9)
Social Care Precept	(6.0)	-	-	-	(6.0)
Collection fund surplus / deficit	(3.3)	3.3	-	-	-
Reduction of Revenue Support Grant (RSG)	7.9	9.2	3.2	15.6	35.9
Better Care Fund grant	-	(0.8)	(10.8)	(9.9)	(21.5)
Changes in other government grants	(2.6)	1.5	2.6	(2.6)	(1.1)
Interest and borrowing	-	-	-	-	-
Minimum Revenue Provision	(13.0)	-	-	-	(13.0)
Changes in use of reserves	(17.5)	(5.2)	20.4	2.3	-
Other corporate adjustments	2.3	(1.1)	(2.3)	2.6	1.5
Revised year-on-year shortfall	0.0	15.1	17.2	17.9	50.2

42. The Council's year by year MTFs for the four years to 2019/20 is shown in Table 11. It shows that whilst the Council can deliver a balanced budget in 2016/17, further savings will need to be identified in each of the following three years to 2019/20, based on current assumptions.

Table 11 – Medium Term Financial Strategy 2016/17 – 2019/20

	2016/17 £ m	2017/18 £ m	2018/19 £ m	2019/20 £ m
Net Budget Requirement	478.9	476.8	476.7	469.6
Financed by :				
Business Rates	101.0	101.6	104.6	108.0
Revenue Support Grant	63.2	38.5	22.6	6.9
Council Tax	304.5	314.6	325.3	329.8
Adult Social Care Precept	6.0	6.0	6.0	6.0
Collection Fund Surplus / (Deficit)	4.2	1.0	1.0	1.0
Total Funding	478.9	461.7	459.5	451.7
Funding Shortfall	-	15.1	17.2	17.9
Cumulative Funding Shortfall	-	15.1	32.3	50.2

Capital Programme and Financing

43. Local authorities are able to determine their overall levels of borrowing, provided they have regard to the Prudential Code for Capital Finance in Local Authorities published by the Chartered Institute of Public Finance and Accountancy (CIPFA). It is, therefore, possible to increase the capital programme and finance this increase by additional borrowing provided that this is “affordable, prudent and sustainable”. This is in addition to capital expenditure funded from other sources such as external grants and contributions, revenue and reserves. The revenue implications of the capital programme are provided for and integrated within the revenue budget.
44. The Council’s capital programme has been reviewed as part of the 2016/17 budget setting process. Savings and re-profiling with a total value of £3.5m have been identified in 2016/17 as part of this exercise. These savings, along with capital reserves and contingencies, will be used to fund new inclusions. The capital programme is monitored closely in order that variations to expenditure and receipts can be identified in a timely manner. Any subsequent impact on the revenue budget and associated prudential borrowing indicators will be reported to the Finance & Property Committee.
45. During the course of 2015/16, some variations to the capital programme have been approved by Policy Committee, Finance & Property Committee and by the Section 151 Officer in accordance with the Council’s Financial Regulations. Following a review of the capital programme and its financing, some proposals have been made regarding both new schemes and extensions to existing schemes in the capital programme. These proposals are identified in paragraphs 46 to 53. Schemes will be subject to Latest Estimated Cost (LEC) reports in accordance with the Council’s Financial Regulations.

Children and Young People (CYP)

46. As part of the 2015/16 Budget Report, a capital project totalling £0.168m was approved to provide additional placements for looked after children at West View Children's Home. An Impact Risk Assessment prepared by the Children, Families and Cultural Services Department stated that there were difficulties with the proposal, mainly around the impact on the young people using the provision. It is therefore proposed that this capital project is removed from the capital programme.
47. **Children's Homes** - It is proposed that a £0.150m allocation is incorporated into the 2016/17 capital programme to improve the condition and facilities at Children's Homes across the County.

It is proposed that a £0.150m allocation, funded from capital allocation, is incorporated into the capital programme to support the Children's Home Improvement Programme.

Transport and Highways

48. **Salix Funded Street Lighting** – A spend-to-save initiative, totalling £4.1m, to replace lanterns in street lights for lower energy options is already in the approved capital programme. The Council has been awarded additional Salix loans of £0.3m per annum from 2016/17 to 2018/19 to extend this programme.
49. **It is proposed that a £0.3m allocation, funded from capital allocation, is incorporated into the Transport and Highways capital programme for the years 2016/17 to 2019/20.**
50. **A57 Roundabout** - a capital allocation of £1.0m is already approved within the current capital programme to fund costs associated with the A57 roundabout project. In addition, the Council has successfully secured external funding to the value of £1.830m from the Local Growth Fund to allow the completion of this project.

It is proposed that £1.830m, funded from external funding, is incorporated into the Transport and Highways capital programme to fund the completion of the A57 roundabout project.

Finance and Property

51. **CLASP Re-Provision of Services** – There are a number of facilities within the County Hall CLASP block which need to be provided elsewhere before the building itself can be demolished.

It is proposed that £0.6m, funded from capital allocation, is included in the capital programme to fund the re-provision of CLASP block facilities.

52. **Mobile Business Reporting and Management Information (BRMI) Project** – the BRMI project will provide an integrated approach to business intelligence across the Council to address operational and strategic reporting needs. The system will provide information on current performance, enable evaluation of transformation options and develop forecasting to identify demand, service need and greater targeting of services.

It is proposed that £0.7m, funded from capital allocation, is incorporated into the capital programme to fund the BRMI project.

Community Safety

53. **Environmental Weight Restriction Camera** – A number of Environmental Weight Restrictions are in force across the County to both create a safer environment for the local community and to reduce the cost of expensive highways maintenance. In order to enforce the restrictions more effectively it is proposed that an automatic enforcement camera is purchased.

It is proposed that £0.1m, funded from capital allocation, is included in the capital programme to fund the Environmental Weight Restriction Camera.

Capital Programme Contingency

54. The capital programme requires an element of contingency funding for a variety of purposes, including urgent capital works, schemes which are not sufficiently developed for their immediate inclusion in the capital programme, possible match-funding of grants and possible replacement of reduced grant funding.
55. A number of capital bids described above are proposed to be funded from uncommitted contingency across the period to 2019/20. The levels of contingency funding remaining in the capital programme are as follows:-

Table 12 – Capital Allocations Contingency

Year	Contingency
2016/17	£2.000m
2017/18	£2.000m
2018/19	£5.000m
2019/20	£5.073m

Revised Capital Programme

56. Taking into account schemes already committed from previous years and the additional proposals detailed above, the summary capital programme and proposed sources of financing for the years to 2019/20 are set out in Table 13.

Table 13 – Summary Capital Programme

	Revised					
	2015/16	2016/17	2017/18	2018/19	2019/20	TOTAL
	£'m	£'m	£'m	£'m	£'m	£'m
Committee:						
Children & Young People*	35.247	39.465	13.088	5.000	5.000	97.800
Adult Social Care & Health	4.317	7.060	6.467	7.300	2.765	27.909
Transport & Highways	36.070	36.030	24.144	23.022	19.122	138.388
Environment & Sustainability	2.516	2.745	1.395	1.200	1.600	9.456
Community Safety	0.000	0.100	0.000	0.000	0.000	0.100
Culture	1.532	4.912	0.700	0.000	0.000	7.144
Policy	1.976	0.244	0.000	0.000	0.000	2.220
Finance & Property	10.237	14.948	4.400	3.400	3.400	36.385
Personnel	0.298	0.070	0.070	0.070	0.070	0.578
Economic Development	6.691	4.731	4.102	1.000	1.000	17.524
Contingency	0.000	2.000	2.000	5.000	5.073	14.073
Capital Expenditure	98.884	112.305	56.366	45.992	38.030	351.577
Financed By:						
Borrowing	48.913	54.723	23.785	24.400	16.438	168.259
Capital Grants †	47.812	56.877	31.911	20.922	20.922	178.444
Revenue/Reserves	2.159	0.705	0.670	0.670	0.670	4.874
Total Funding	98.884	112.305	56.366	45.992	38.030	351.577

* These figures exclude Devolved Formula Capital allocations to schools.

† Indicative Government funding for Transport and Schools is included in 2016/17 to 2018/19.

57. The capital programme for 2015/16 includes £15m of re-phased or slipped expenditure previously included in the capital programme for 2014/15.

Capital Receipts

58. In preparing the capital programme, a full review has been carried out of potential capital receipts. The programme still anticipates significant capital receipts over the period 2015/16 to 2019/20. Any shortfall in capital receipts is likely to result in an increase in prudential borrowing. Forecasts of capital receipts are shown in Table 14.

Table 14 – Forecast Capital Receipts

	2015/16	2016/17	2017/18	2018/19	2019/20	TOTAL
	£'m	£'m	£'m	£'m	£'m	£'m
Forecast Capital Receipts	7.6	15.1	13.8	10.8	5.9	53.2

59. The Council is required to set aside a Minimum Revenue Provision (MRP) in respect of capital expenditure previously financed by borrowing. In recent years, the Council has sought to minimise the revenue consequences of borrowing by optimising the use of capital receipts to reduce the levels of MRP in the short to medium term. As such, the Council's strategy is to apply capital receipts to borrowing undertaken in earlier years, rather than using them to fund in-year expenditure. Although this will be presented as a higher level of in-year borrowing, the overall level of external debt will be unaffected. This policy will be reviewed on an annual basis.
60. One of the requirements of the Local Government Act 2003 is that the Council must set an "Authorised Limit" for its external borrowings. Any potential breach of this limit would require authorisation from the Council. There are a number of other prudential indicators that are required by The Prudential Code to ensure that the proposed levels of borrowing are affordable, prudent and sustainable. The values of the prudential indicators are proposed in Appendix F.
61. In accordance with the "CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes", it is proposed that the Council approves a Treasury Management Strategy and Policy for 2016/17. The Strategy is in Appendix G and the Policy is in Appendix H.
62. It is proposed that the Service Director – Finance, Procurement and Improvement be allowed to raise loans within the authorised limit for external borrowing, subject to the limits in the Treasury Management Strategy for 2016/17.

Equality Impact Assessments

63. Public authorities are required by law to have due regard to the need to:
 - eliminate unlawful discrimination, harassment and victimisation
 - advance equality of opportunity between people who share protected characteristics and those who do not
 - foster good relations between people who share protected characteristics and those who do not.
64. Decision makers must understand the effect of policies and practices on people with protected characteristics. Equality Impact Assessments are the mechanism by which the authority considers these effects.
65. Equality implications have been considered during the development of the budget proposals and equality impact assessments were undertaken on each relevant proposal approved as part of the MTFS. The Equality Impact Assessments also had regard to the consultation responses received by the Council.
66. In addition the Human Resources (HR) policies that will be applied to any staffing reductions have been the subject of Equality Impact Assessments.

This includes assessments which are available as background papers on the following relevant HR policies:

- Enabling process
- Redundancy process
- Redundancy selection criteria
- Selection and recruitment process
- Re-deployment process

67. It is essential that Members give due regard to the implications for protected groups in the context of their equality duty in relation to this decision.

Statutory and Policy Implications

68. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health only), the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Recommendations

It is recommended that:

Reference

- | | |
|---|--------------------|
| 1) The Annual Revenue Budget for Nottinghamshire County Council is set at £478.896 million for 2016/17. | Para. 24 |
| 2) The principles underlying the Medium Term Financial Strategy are approved. | Table 10 |
| 3) That the Category B and C proposals be approved and implemented subject to any further required consultation. | Appx. A and B |
| 4) The Finance & Property Committee be authorised to make allocations from the General Contingency for 2016/17. | Para. 26 |
| 5) That the 2.00% Social Care Precept is levied in 2016/17 to part fund increasing adult social care costs. | Para. 31 |
| 6) The County Council element of the Council Tax is increased by 1.99% in 2016/17. That the standard Band D tax rate is set at £1,290.66 with the various other bands of property as set out in the report. | Para. 32 |
| 7) The County Precept for the year ending 31 March 2017 shall be £310,452,440 and shall be applicable to the whole of the district council areas as General Expenses. | Para. 35 |
| 8) The County Precept for 2016/17 shall be collected from the district and borough councils in the proportions set out in Table 8 with the payment of equal instalments on the dates | Table 8
Table 9 |

set out in the report.

- 9) The Capital Programme for 2016/17 to 2019/20 be approved at the total amounts below and be financed as set out in the report:

Table 13

Year	Capital Programme
2016/17	£112.305m
2017/18	£56.366m
2018/19	£45.992m
2019/20	£38.030m

- 10)The variations to the Capital Programme be approved. Para. 46-53
- 11)The Minimum Revenue Provision policy for 2016/17 be approved. Appx. E
- 12)The Prudential Indicators be approved. Appx. F
- 13)The Service Director – Finance, Procurement and Improvement be authorised to raise loans in 2016/17 within the limits of total external borrowings. Para. 62
- 14)The Treasury Management Strategy for 2016/17 be approved. Appx. G
- 15)The Treasury Management Policy for 2016/17 be approved. Appx. H
- 16)The report be approved and adopted.

**COUNCILLOR DAVID KIRKHAM
CHAIRMAN OF FINANCE AND
PROPERTY COMMITTEE**

**COUNCILLOR ALAN RHODES
LEADER OF THE COUNCIL**

Constitutional Comments (HD 03/02/2016)

The proposals within this report are within the remit of Full Council.

Human Resources Implications (MT 03/02/2016)

The savings proposals which require staffing reductions have been the subject of a separate statutory consultation period with affected employees and the recognised trades unions. Consultation with trade union colleagues has taken place through the corporate and departmental joint consultative and negotiating framework and special meetings arranged to allow the opportunity for further dialogue.

Any staffing reductions will be implemented in accordance with the Council's agreed policies and procedures and all reasonable steps taken to minimise the number of compulsory redundancies. This will include considering requests for

voluntary redundancy and identifying redeployment and retraining opportunities where possible.

Financial Comments of the Service Director – Finance, Procurement and Improvement (NS 03/02/2016)

The budget proposed has been prepared taking into account the major strategic objectives of the Council as set out in the Strategic Plan 2014 to 2018 (Council, 16 January 2014) and reflects all significant cost variations that can be anticipated.

The budget has been prepared in conjunction with the Corporate Leadership Team and other senior officers, and through significant Member engagement via Policy Committee and Finance & Property Committee. There has been robust examination and challenge of all spending pressures and savings proposals.

As is the case in the current financial year, strict budgetary control will be maintained throughout 2016/17. Departments will be required to utilise any departmental underspends to offset unexpected cost increases that exceed the resources that have been provided to meet known cost pressures and inflation. To the extent that that this may be insufficient or that other unexpected events arise, the Council could potentially call on its General Fund balances.

The levels of reserves and balances have been reviewed and are considered to be adequate. However, in comparison to recent years the level of General Fund balances in particular, is expected to be substantially reduced.

The forecast reduction in General Fund balances has been the result of using reserves to balance previous years' budgets and continued use in 2016/17. Whilst this has been in accordance with guidance from the DCLG and will result in the Council still being above the level that is considered prudent, further reductions in General Fund balances would need to be taken only after careful assessment and consideration of the overall level of financial risk.

Given the severity of the financial challenges facing the Council, the budget has been prepared on the basis of accepting a higher level of financial risk than has previously been the case. The contingency budget will be used to mitigate the impact should any of the savings proposals be delayed or not deliver as planned. The risks and assumptions have been communicated to, and understood by, elected Members and the Corporate Leadership Team.

The budget is, in my opinion, robust and meets the requirements of the Local Government Finance Act 1992, the Local Government Act 2003 and the CIPFA Prudential Code. The proposals for 2016/17 fulfil the requirement to set a balanced budget.

Background Papers Available for Inspection:

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- Category A proposals
- Equality Impact Assessments which are published on the Council's website at: <http://www.nottinghamshire.gov.uk/thecouncil/democracy/equalities/eqia/>
- Budget Pressures & Inflation
- Consultation dashboard

Electoral Division(s) and Member(s) Affected: All